

January 11, 2008

Competition Policy Review Panel
c/o Christiane Fox, Secretariat
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Re: Submission to Competition Policy Review Panel Consultations

Dear Members:

Thank you for providing Genworth Financial Mortgage Insurance Company Canada ("Genworth Canada") with the opportunity to provide this submission to the Competition Policy Review Panel (the "Panel").

Background

Genworth Canada is a subsidiary of Genworth Financial, Inc., a leading financial security company meeting the retirement, longevity, lifestyle protection, investment and mortgage insurance needs of over 15 million customers. It has a presence in more than 25 countries, including the United States, Australia, Canada, Japan, Mexico, New Zealand, the United Kingdom and 17 other European countries. Since 1995, Genworth Canada has been helping individual Canadians achieve the dream of home ownership by providing residential mortgage insurance. Genworth Canada is the country's largest private sector residential mortgage insurance provider, and operates in every province and territory in the country.

Our company is a prime example of foreign investment that has provided significant benefits to Canadian consumers and the Canadian economy. Genworth Canada has been able to accomplish these successes by heavily investing in developing its employees risk assessment technology and customer relationships. When Genworth began operating in Canada, it started with only 50 employees and had a limited presence in the Canadian mortgage insurance market. Today, Genworth Canada employs approximately 300 people across the country and helped over 900,000 Canadians achieve the dream of homeownership.

These investments resulted in Genworth being able to prudently offer new and innovative products, and bring successful international business practices and know-how to Canada. As a result Genworth Canada now has grown its equity to over \$1.5 billion and invests holds approximately \$4 billion in Canadian assets.

Submission

One of the issues raised by the Panel in its consultation paper entitled *Sharpening Canada's Competitive Edge*, is the important role that financial services play in the Canadian economy. As explained in greater detail below, residential mortgage insurance is a prime example. Given the importance of residential mortgage insurance, government policies in this area need to be thoughtfully crafted and implemented, to ensure that the benefits of competition and foreign investment inure to Canadian consumers in a manner that does not jeopardize the safety and soundness of the Canadian financial system.

The Importance of Residential Mortgage Insurance to Canadians

Residential mortgage insurance in Canada is of critical importance to millions of ordinary Canadians as it makes it possible for individuals to obtain from lending institutions the financing necessary to purchase a home. In fact, approximately 50% of all home purchases in Canada are financed by insured mortgages and this number is expected to grow significantly based on recent research results.

Mortgage insurance is particularly important to first time homebuyers and people looking to refinance their mortgage for renovations. Individual consumers are directly affected by the availability and affordability of residential mortgage insurance in a number of ways. For example: 1) the availability of residential mortgage insurance makes home ownership possible with minimum down payments; ii) the cost of obtaining residential mortgage insurance is borne by the homeowner, not the lender; and iii) the introduction of innovative mortgage insurance products allows home ownership for Canadians who would otherwise not be able to purchase a home.

Moreover, by enhancing access to financing opportunities, residential mortgage insurance considerably broadens the pool of home purchases in Canada. As a result, a healthy, competitive and innovative residential mortgage insurance is an integral component of the housing industry in Canada and, consequently, of the Canadian economy as a whole.

Government Policies in Residential Mortgage Insurance

Mortgage insurance in Canada has traditionally been provided principally by the Canada Mortgage and Housing Corporation ("CMHC"), a federal Crown corporation which derives its existence and authorities from the Canada Mortgage and Housing Corporation Act ("CMHC Act") and the National Housing Act

("NHA"). CMHC enjoyed a statutorily mandated monopoly in the residential mortgage insurance market until 1963 and for decades afterwards continued to be synonymous with residential mortgage insurance in Canada. When Genworth entered the Canadian market in 1995, by taking over the Mortgage Insurance Company of Canada, CMHC was the only active mortgage insurance provider in the market. In 1999, the federal government passed Bill C-66, which contained amendments to the National Housing Act designed to encourage greater competition in the residential mortgage insurance market for the betterment of Canadian consumers. In 2006, the government passed Bill C-13 that has enabled additional private sector competitors to enter the Canadian market.

Notwithstanding the stated government policy towards promoting greater competition, the Federal Government continues to exercise an important role in regulating mortgage insurance in Canada by, among other things: 1) requiring mortgage insurance for high ratio mortgages (mortgages with low down payments account for about half of all mortgages originated in Canada); 2) regulating the manner in which both private mortgage insurers such as Genworth Canada and the government-owned mortgage insurance company, CMHC, compete in the marketplace; and 3) guaranteeing the obligations of mortgage insurance providers (90% guarantee for private mortgage insurers and 100% guarantee for CMHC). These policies have been implemented principally to enable Canadian to be able to purchase a home at the lowest mortgage rate; enable competition between large and small lenders across the country; ensure the availability of mortgage financing in good times and bad; and to protect the safety and soundness of the Canadian financial system as a whole. These are a major reason why Canada has one of the highest home ownership rates and most stable mortgage markets in the world.

In our view, it is imperative that two important principles be applied in connection with the Federal Government's ongoing regulation of mortgage insurance in Canada:

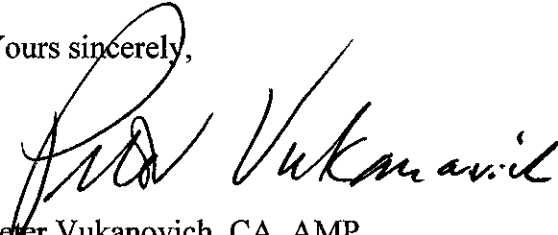
First, the Federal Government's policies in this area should ensure that there are clear rules in place so that consumers, i.e., the homeowners that pay for the cost of mortgage insurance, are the true beneficiaries of increased competition in residential mortgage insurance. Consumers benefit from competition, particularly with respect to innovation, competitive pricing and greater efficiencies, when the market structure has been clearly established.

Second, the Federal Government's policies should ensure that the rules governing residential mortgage insurance market apply equally to all market participants, including CMHC, so that no artificial advantages between competitors are created or maintained and that consumers are the ultimate beneficiary of competition.

Genworth Canada strongly supports the work of the Panel in reviewing Canada's foreign investment and competition policies. In my respectful submission, our company has the ability to make a valuable contribution to the work of the Panel. We look forward to participating further in the Panel's consultation process.

If you have any questions concerning this submission, please do not hesitate to contact me at 905-287-5488 or peter.vukanovich@genworth.com.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Peter Vukanovich". The signature is written in a cursive style with a large initial "P".

Peter Vukanovich, CA, AMP
President & CEO